

# The Aged, A Special Housing Dilemma

## *The Need*

Twenty-one million people are now 62 and over, and by 1980 we expect at least 30 million in this age group. The population over 65 years of age increases at a net rate of 400,000 each year. While the general population increased only 19 percent from 1950-60, the group over 65 rose 35 percent, and the age group 85 and over increased more than 60 percent.

Already one out of three persons reaching the age of 60 has a parent or close relative over 80. In 40 years this ratio will rise to two out of three. Then our society will have the unique challenge of meeting the housing needs of not one but two generations of senior citizens.

Most older people are mobile and able to care for themselves with a minimum of help. However, 8 out of 10 have one or more chronic illnesses, and older people spend twice as many days in hospitals as those under 65. Thus access to medical facilities is a basic consideration in planning housing for the elderly.

The aged tend to be in the low or moderate income categories with median money incomes about 50 percent less than those under 65. More than one-half of the aged families have incomes of less than \$3,000 per year, about one-third have less than \$2,000 per year, and about one-half of single aged persons have incomes of less than \$1,050 per year.

Housing for senior citizens must relate particularly to their income levels and to the relative inflexibility of their income potentials. With the cessation of regular employment and the end of years occupied by raising and educating a family, many older people find themselves lacking in clear purpose. Yet, on the average,

they face 14 years of life expectancy after retirement and need new activities to fill their days.

This is the period when children have left home and when the death of a spouse occurs most frequently, leaving serious social and emotional vacuums. Almost one-half of the aged are either widowed, separated, divorced, or single; a total of about 8 million senior citizens live alone. They are subject to social isolation, lower incomes, and unsuitable living arrangements.

For the widowed and the single elderly, housing can play a fundamental part in providing badly needed sources of personal and social relationships. For the aged in general, housing can and does fill an expanded role as the focal point of their daily lives.

About two-thirds of the aged now live in their own homes. A large portion of them have lived in these homes for 30 years or more, after purchasing them to house young and growing families. They face rising maintenance expenses, higher property taxes, and major repairs at a time when their physical capacities are substantially reduced and their incomes halved. Much existing housing occupied by senior citizens is too large, too old, too costly or too inefficient, and unsafe for the changes which occur with age.

Additional data are required to identify the national needs of elderly persons, and special studies are needed for particular areas. However, there are now some helpful indices. Data are being provided by the special tabulations processed by the U.S. Bureau of the Census under contract arrangements with the Housing Agency. These tabulations have been financed

by the appropriation of \$125,000 authorized by Congress in 1961.

For the first time, we will have detailed data on the kinds of housing older persons occupy, the cost, room size, and quality, and on their incomes and their status of dependence or independence. A preliminary analysis of these special tabulations has been completed, and part 1 of the series, "The National Scene," was issued in July 1962 by the Housing and Home Finance Agency.

Preliminary data from the special Census Bureau tabulations indicate that more than 19 percent of the households in which senior citizens live are substandard; they lack private bath, toilet, or hot running water, or are structurally deficient. This percentage does not include units which, while basically standard, may not be suitable for older persons because they are too large or too costly to maintain.

The tabulations exclude the 17 to 20 percent of the aged who live as dependents with their children or others in generally standard housing. Current research provides evidence that senior citizens generally prefer to live independently if they can. In most instances, desperately low incomes or poor health, or both, compel a parent to move in with children.

A recent study by Cornell University Center for Housing and Environmental Studies analyzed the quality of housing of a national sample of persons receiving social security benefits in 1960. The results of this research study indicated the following:

- 40 percent of older persons lived in houses built 51 years ago.
- An additional 40 percent lived in houses built between 30 and 50 years ago.
- The aged in poorest health tended to occupy the poorest housing.
- Approximately 45 percent of all households of aged persons were "in need of better accommodations" based on the quality of housing and the living arrangements of individuals who were dependent on their relatives.

—*Excerpted from a statement on housing for senior citizens by Robert C. Weaver, Administrator, Housing and Home Finance Agency, before the Subcommittee on Housing, House Committee on Banking and Currency, July 11, 1962.*

## **Federal Programs**

The Housing and Home Finance Agency has a set of major programs with which to begin the attack on the housing needs of America's senior citizens. They approach the problem on a many-sided basis, providing older persons with a wide choice from which to select the kinds of housing they wish.

The Housing and Home Finance Agency offers these various aids:

1. For very low income senior citizens, a substantial expansion in public housing.
2. For the lower middle-income group, direct loans at low rates of interest on a long-term basis.
3. For those who are able and wish to own their own homes, liberalized financing methods for home purchase.
4. For moderate and higher income groups, mortgage insurance for both profit and non-profit motivated rental housing, both new and rehabilitated, through the private lending market.
5. For those concerned with nursing homes, easier techniques of financing the construction of skilled nursing homes.

### **Public Housing**

For hundreds of thousands of older persons with low incomes, public housing is the primary means of providing a decent, self-respecting living environment. The Public Housing Administration encourages and assists local housing authorities to construct specially designed apartments for older persons, either in separate public housing projects or in parts of projects designed for all age groups.

The Housing Act of 1961 will permit a sizable expansion in public housing for older persons by increasing the Federal contribution to local authorities by \$10 per unit per month for older persons. This means that many public housing projects which otherwise could not accept older persons because of their exceedingly low incomes will be able to provide dignified living arrangements at low rentals and still be financially solvent. In addition, the cost of units especially designed for older persons was liberalized to exceed, by as much as \$1,000 per

room (\$1,500 in Alaska), the limits for regular units. At present, 116,000 persons 62 years of age and over are living in public housing units of all kinds.

### **CFA Direct Loan Program**

Under the Senior Citizens Housing Loan Program, the HHFA Administrator is authorized to make loans directly to private nonprofit organizations, consumer cooperatives, and certain public agencies to construct rental housing for older persons whose income is above that for public housing but not sufficient for more expensive private housing.

The Housing Act of 1961 increased the authorization from \$50 million to \$125 million for this program and a further increase of \$100 million was approved by Congress in the fall of 1962. The act raised the proportion which the Federal Government could lend from 98 to 100 percent of the development cost. The current interest rate is 3.5 percent and the term of the loan as long as 50 years. The loan program is administered by the Community Facilities Administration.

### **FHA Mortgage Insurance**

The third major block of programs available to assist in constructing housing for older persons is administered by the Federal Housing Administration. These authorize the FHA to insure private lenders against losses on mortgages of homes and apartments occupied by persons 62 years of age and over.

This type of insurance can help those older persons who wish to buy their own homes and permits them to do so with friends or relatives making a downpayment. It is also available to both profit-motivated and nonprofit groups to construct or rehabilitate rental housing for senior citizens. For nonprofit groups, the insurance can cover up to 100 percent of replacement cost, and for profit groups, up to 90 percent. The maximum rate of interest is 5.25 percent plus 0.5 percent mortgage insurance premium.

To stimulate such financing through the private lending market, the Federal National Mortgage Association is authorized to purchase these nonprofit FHA-insured mortgages under advance commitment.

The FHA may also insure mortgages for the construction or rehabilitation of proprietary nursing homes up to 90 percent of cost. In accepting applications for mortgage insurance, the FHA requires certification of the need for a nursing home in the area and assurance of reasonable State licensing standards.

Legislation passed in 1961 also provides for low rental housing for middle-income groups of all ages. For the first time, nonprofit groups can have mortgages insured by the FHA up to 100 percent of cost at a below-market rate of interest of  $3\frac{1}{8}$  percent. (Limited profit corporations can have their mortgage insured up to 90 percent of the cost.) Senior citizens will benefit from this financing mechanism since the incomes of most of them are within these moderate income limits.

### **More Effective Organization**

A central Office of Housing for Senior Citizens, headed by an assistant administrator, has been established to coordinate these programs. Previously, the different programs had varying and duplicating standards and policies, confusing to architect, builder, and public alike, and there was no single source where an ordinary citizen or church or civic groups could obtain information and assistance.

The Office of Housing for Senior Citizens assists in expediting the processing of applications, trains personnel within the HHFA in new fields of housing gerontology, and stimulates the development of programs in universities to provide professional training in the management of housing for senior citizens.

The office also operates an information and technical service for sponsors who are often uninformed in the fields of finance and construction. An internal clearinghouse of information about each of the senior citizen housing programs has been organized to minimize duplication of activity, to exchange knowledge, and to provide a means by which each constituent agency can benefit from the experience of the others.

The Agency has developed a common, national policy on the objectives of senior citizens' housing. Essentially, this policy is to assist in financing the type of housing which sustains

independence and dignity and which provides and encourages opportunities for continued relationships with the community as a whole.

For the major programs, a common set of standards dealing with design and construction has been formulated. These standards are intended to avoid rigidity, permit imagination, and provide for the development of housing suitable for the elderly, while protecting the public interest.

With the establishment of the Office of Housing for Senior Citizens, the operating responsibilities of the direct lending program were transferred to the Community Facilities Administration which administers a similar direct lending program for college housing. All programs are now decentralized to the field so that service can be local, personal, and speedy.

—Excerpted from *"The Federal Government's Programs and Policies for Housing of Senior Citizens,"* by Sidney Spector, assistant administrator, Housing for Senior Citizens, Housing and Home Finance Agency, given at the Seminar on Leadership Roles in Aging, University of Rhode Island, Kingston, August 2, 1962.

## Direct Loan Program

The Community Facilities Administration makes loans for periods up to 50 years at sub-market interest rates. Because the Federal Government's funds are invested for a long period at very low rates, certain assurances are required before a project can be approved.

Public bodies, well-established national or regional organizations, and religious, fraternal, cooperative, labor, or civic organizations are among the possible sponsors of such projects. The ideal sponsor has these characteristics: permanent life, prior existence as a social or public interest organization, adequate financial resources, business competence, sympathetic understanding of the needs of older persons, and knowledge of how to deal with them.

Many applicants meet these requirements, but others, although they have tremendous interest and devotion, do not. Often local groups organized specifically to build the proposed facility lack financial resources or experience.

These are needed because a sponsor must be able to pay its own way during the processing of the application, finance some expenses not covered by the approved loan, and have sufficient funds to cover operation and maintenance costs during part of the first year when the project may not be fully occupied. For the sponsor with little experience, using professional consultants may, in the long run, be economical.

Boards of directors of sponsors set up for the specific purpose of building projects with direct loans are required to be broadly representative of the public interest groups in the community. Conflict-of-interest regulations are stringent because the agency attempts to guarantee that a nonprofit organization will be just that.

Membership in the sponsoring organization cannot be a condition of admittance to the project, and founder's fees or other payments or contributions are prohibited. Sponsors cannot discriminate against any applicant because of race or religion. These regulations guarantee that persons of moderate income can afford to live in these projects and thereby justify the lending of public funds to build them.

## Rent-to-Income Ratios

The classic ratio of rent to income is 1 to 4 or 5. But for retired persons the ratio is likely to become 1 to 3 or even 2.5. Moreover, low-income families generally spend more of their income on housing than do those with larger incomes. Because it is difficult for the elderly to adjust housing expenses to a smaller income, many who allot 25 percent or more to housing still lack adequate accommodations.

The Real Estate Research Corporation of Washington, D.C., found that there is a large market among single elderly women in the "luxury and just below" income class who are willing to devote 30–35 percent of their income to housing. They did not find this to be true of single elderly men.

Rent levels vary geographically. If Washington, D.C., is counted as a base, or 100 percent, the range is from 65 percent in Scranton, Pa., for instance, to 116 percent in Chicago. Using the Bureau of Labor Statistics' "modest but adequate budget" for a retired couple whose income is at the lower end of the lower middle-

income group, a retired couple in Cleveland could afford monthly rentals as high as \$85, but this would be too high in Seattle, Wash. Using the same budget, a single elderly individual in Cleveland could afford only \$50 a month rent unless he skimped on other necessities.

Average incomes are lower in smaller than in larger cities, but shelter costs less in small cities because of lower land and construction costs. Building codes tend to be less stringent in the smaller than in the larger cities, requiring less costly construction.

For housekeeping units, the median monthly rental for CFA direct loan projects is \$75. In group living projects, the median cost per person, including meals, is \$128.

The general statistics on the demand for housing for the elderly are of little assistance in a specific project. Whether or not people want to occupy a project is governed by far more complex factors than obvious need. For instance, does a person want to give up his own home even if it strains his finances? Does he want to move to an unfamiliar neighborhood? Is he willing to break old associations and make new ones? To say that in a given community having 10,000 people over 62, whose median income is \$3,200, a 150-unit project with average rental of \$75 is bound to be occupied immediately is a great oversimplification. To estimate the market for an entire region or State is even more difficult.

A market survey can demonstrate the feasibility of a project, where it should be located, how many units it should contain, and the approximate rents within the reach of potential customers. For most projects the survey, whose costs can be recovered if the project is accepted, is an important first step. With the information a survey yields, an interested group can attempt to develop a workable project.

Among the early crucial decisions is the location. Ideally, the location would have nearby plenty of potential tenants with both the desire and the ability to pay for the housing offered as well as easily accessible churches, parks, recreation and social centers, stores, physicians' offices, libraries, and counseling services. But such locations are frequently too expensive for the CFA direct loan program, especially in a

large or medium-sized city. If the site is in a fringe area, it may be necessary to plan for related facilities such as laundry service, a beauty and barber shop, a pharmacy, and transportation. These not only are costly to equip but may have difficulty succeeding financially.

### **Design and Costs**

The housing act does not specify limitations on the size of projects, but in administering the program, some informal limits have been set. CFA has reservations about concentrating large numbers of elderly people in a single project in a nonmetropolitan community; the agency's working maximum is no more than 300 units. Small projects of six to eight units are not economically feasible because maintenance costs are disproportionately high.

New imaginative designs are welcomed, especially ideas that cost less or at least no more than conventional construction methods. The experts assert that there are no more acceptable reductions in costs based on the use of cheaper materials. Any breakthrough must be in new uses of space, so that a given amount of good quality construction may provide suitable housing for greater numbers of occupants.

While separate living for each individual and family group is closer to the goal of providing for continuing independence, there are situations in which certain types of group living are appropriate, particularly group eating. The Kundig Center project in Detroit, inspired by the ideas of Monsignor Wilbur Suedkamp, provides all meals for residents in a central location. These dining facilities were donated by a generous contributor. The residents have rooms in the neighborhood which are rented to them by the center and in Rochford Terrace which was built with a direct loan. Neither the rooms nor the terrace contain kitchen equipment, which has cut construction costs, and no maid service is provided.

Each tenant walks from his living quarters to the center three times a day for his meals and on other occasions to participate in the center's recreational, educational, social, and counseling activities. This physical activity helps to sustain the health of the participants, the rather large group provides a social stimulus, and the meals supply proper nutrition, offsetting a

tendency of many older people on small incomes to eat inadequately.

Some form of group living also offers the possibility of cooperative work arrangements, which can help older people maintain their activity and, at the same time, hold down costs. The agency's reservations about group living arrangements arise from the danger that such projects could rapidly become nursing homes rather than accommodations for independent living.

### **Staffing**

Independent living requires a minimum of staffing, because it presumes occupants who can do their own housework and who will, on occasion, help each other over temporary periods of illness. Several universities are developing training courses that are expected to produce the skilled managers needed for housing projects for the elderly. Ideally, such persons should combine business ability with skill in dealing with the aged and their problems. A good real estate manager, for example, is not necessarily the best person to manage a senior citizen housing project.

Despite the low interest rate and the long term which applies to direct loans, costs are not low enough to produce the rents which bridge the gap between public housing rent levels and the private housing available on the open market. The \$50-a-month efficiency apartment and the \$70 one-bedroom apartment have largely eluded the CFA program. Yet the need for good housing for the elderly increases in direct proportion to decreases in rents.

—Excerpted from *"Financing Non-Profit Housing for Older People,"* by Sidney H. Woolner, commissioner, Community Facilities Administration, Housing and Home Finance Agency, given at the Institute on Non-Profit Independent Housing as a Living Environment for Older People, July 15-20, 1962, Glenwood Springs, Colo.

## **Progress Report**

Activities to provide housing for senior citizens have been accelerated in the last 2 years. Applications for all the programs during calendar year 1961 were almost equal to the previous

5-year total of 44,600 units. As of June 30, 1962, the total volume of applications since 1956 had reached almost 114,000 units for a total dollar value of roughly \$1.35 billion.

Perhaps even more significant is the fact that in 1961, commitments of 22,500 units in the three rental programs (PHA, FHA, and CFA) more than doubled the 10,600 total of 1960. Commitments in 1961 alone were equal to about 80 percent of the 1956-to-1960 total. As of June 30, 1962, total cumulative commitments were for close to 68,000 units, or an estimated total of \$825 million.

The 4,600 units completed among the three programs in 1961 were almost 2½ times the 1,900 completed in 1960. This 1961 total was also greater than the 4,300 completed in the preceding 5-year period. By June 30, 1962, the cumulative number of completed units was 14,600 for a total dollar investment of more than \$178 million.

### **Public Housing**

Under the public housing program during fiscal year 1962, more than 12,200 units, or 53 percent of all dwelling units placed under annual contributions contracts in that period, are designed specifically for the elderly. During the 1962 fiscal year 105 out of the 117 newly created local housing authorities included plans for housing senior citizens.

More than 100,000 units, or more than one-fifth of all public housing dwellings, are occupied by elderly families, and one-third of all local housing authorities have included some units for senior citizens in their programs.

In 1961 the median gross rent, including all utilities, was \$32, and the median income for senior citizen families moving into public housing was \$119 per month.

### **FHA Mortgage Insurance**

As of June 30, 1962, the Federal Housing Administration had 214 active projects representing 30,712 units and mortgage insurance in the amount of \$350,147,900. In contrast, there were only 101 active projects as of January 1, 1961, covering about 4 years of operation. These included 12,550 units calling for mortgage insurance of \$127,928,721.

Properties covered by mortgage insurance

have a replacement cost much greater than the mortgage insurance because many projects, through gifts and founder's fees, have been able to construct housing costing more than the amount of mortgage insured. A tabulation of December 31, 1961, covering 54 completed projects, revealed an average replacement cost on 5,203 units of \$11,700.

All projects are built to at least minimum standards adopted by FHA, with particular care to give residents the utmost security against fire, special designing for comfort, health care, and recreation, and security against accidents.

#### **FHA-Insured Nursing Homes**

The nursing home program which became active in 1960 has shown substantial progress. Prior to January 1, 1961, only 30 applications had been received, representing 2,468 beds with \$13,138,760 in mortgage amount. Ten commitments had been issued, and two projects were under construction. As of June 30, 1962, a total of 194 project applications had been received, having 16,833 beds and mortgage requirements of \$100,811,000. A total of 116 commitments had been issued. These projects contained more than 9,400 beds with a mortgage amount of \$52,849,000.

#### **Direct Loans for Rental Housing**

Under the direct loan program, applications filed totaled 103 for \$51 million in 1960, 102 for

\$152 million in 1961, and 53 for \$86 million during the first 6 months of 1962, making a total of 258 applications for \$289 million since the inception of the program.

It is estimated that cumulative net reservations will reach about \$180 million by June 30, 1963, and approximately \$250 million by December 31, 1963. Of the 258 project applications filed through June 30, 1962, a total of 124 for \$129.1 million were either rejected or withdrawn. This program in which the Federal Government makes direct loans to nonprofit sponsors requires careful screening and responsible analysis since many sponsors are wonderfully motivated but highly inexperienced in this field. Staffs in Washington, D.C., and in the regions work carefully and at great length with these sponsors; they perform many of the planning functions which a more experienced sponsoring group would ordinarily undertake prior to the submission of an application.

Despite this large number of rejected or withdrawn applications, the backlog of applications under review, exclusive of those under fund reservation, amounts to 66 projects for \$94 million as of June 30, 1962.

*—Excerpted from a statement on housing for senior citizens by Robert C. Weaver, Administrator, Housing and Home Finance Agency, before the Subcommittee on Housing, House Committee on Banking and Currency, July 11, 1962.*

### **Nonprofit Homes for the Aged**

A recent nationwide "Directory of Non-Profit Homes for the Aged, 1962," lists more than 2,800 nonprofit homes for the aged and nursing homes, both voluntary and governmental.

Homes are listed alphabetically by State and city. Included are name and address of the home, as well as sponsorship, bed capacity, and name of administrator, where information is available. A brief summary from the pertinent licensing laws precedes each State's entries.

The directory may be ordered from the American Association of Homes for the Aging, 49 West 45th Street, New York 36, N.Y.